



Treasury Inspector General for Tax Administration

INVOICE AUDIT OF THE MANAGEMENT OF SEIZED AND FORFEITED ASSETS CONTRACT – TIRNO-05-C-00010

Issued on January 11, 2007

Highlights

Highlights of Report Number: 2007-10-025 to the Internal Revenue Service Chief, Agency-Wide Shared Services.

IMPACT ON TAXPAYERS

Contract expenditures represent a significant outlay of Internal Revenue Service (IRS) funds. The Treasury Inspector General for Tax Administration has made a commitment to perform audits of these expenditures. To the extent our reviews assist the IRS in identifying and recovering inaccurate, unsupported, and unallowable charges, contract expenditures are reduced and taxpayer funds are saved.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether selected invoices submitted and paid under contract number TIRNO-05-C-00010 were appropriate and in accordance with the contract's terms and conditions.

The purpose of our audit was to answer the following questions:

1. What is the process the IRS established for invoice verification prior to certifying payment to the contractor?
2. Are the invoice charges submitted by the contractor and paid by the IRS accurate, supported, and allowable?
3. Are the deliverables obtained through the contract acceptable as stipulated in the contract?

WHAT TIGTA FOUND

TIGTA identified questionable charges of \$21,297.88 that consisted of unallowable, unsupported, and unreasonable costs. Examples of the questionable charges included:

- Two instances of employees not meeting the qualifications for the labor category as stipulated in the contract.
- Two labor categories that were not part of the contract being charged on invoices.

- One instance in which meals and incidental expenses were paid for a trip that was fewer than 12 hours in duration.

While a significant amount of questionable charges were not identified, the IRS does not have a complete invoice verification process established. The IRS does not receive timesheets and all the documentation to support travel expenses before approving the invoices for payment.

This contract provided the support services necessary for the management of seized and forfeited assets. These services included establishing case files for each individual asset and performing legal research, data analysis, data entry, and general clerical support. During the review, nothing came to our attention that would lead us to believe there were significant problems with contractor performance or any of the deliverables associated with the invoices included in our tests.

WHAT TIGTA RECOMMENDED

The Director, Procurement, should ensure the appropriate Contracting Officer reviews the identified questionable charges of \$21,297.88, and initiates any recovery actions deemed warranted, and reviews all the labor categories to ensure employees meet the qualifications stipulated in the contract and all labor categories are properly included.

In their response to the report, IRS officials agreed with our recommendations. Based on the Contracting Officer's research and evaluation of additional supporting documentation provided by the contractor, \$270.10 of the \$21,297.88 remained questionable and will be recovered on an upcoming invoice. The Contracting Officer and the Contracting Officer's Technical Representative will review invoices for insufficient supporting documentation prior to payment. In addition, the Contracting Officer and the Contracting Officer's Technical Representative will review résumés and ensure all contractor employees meet position qualifications, and the contractor will be required to replace any individuals that fail to meet the qualifications. Further, the contract was modified to ensure all labor categories and associated rates were included in the contract.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200710025fr.pdf>.